

## STATE BOARD OF ACCOUNTS STATEMENT ON BOOK SALES IN LIBRARIES

On disposing of personal property, it has been our position that libraries either transfer the property to the Friends or follow **IC 5-22-22** to dispose of the surplus personal property. If a library chooses to sell its books to the public, it would be following **IC 5-22-22** by advertising, if required depending on the value of all of the books offered for sale. Please see IC 5-22-22-4 to see if library requires the services of an auctioneer based on the value of the property. Otherwise, see IC 5-22-22-6 if the property to be sold is: (1) one (1) item, with an estimated value of less than one thousand dollars (\$1,000); or (2) more than one (1) item, with an estimated total value of less than five thousand dollars (\$5,000); the purchasing agency may sell the property at a public or private sale or transfer the property, without advertising.

The money from the sale of books should go back into the operating fund, since that is where the books were probably purchased from originally. It should be classified as miscellaneous income.

### DEPARTMENT OF REVENUE

- The sale of used library books by the Library is exempt from sales tax. The books were not acquired by the Library for resale. This does not matter how often the sale occurs.
- If the Friend's of the Library come into the library for the sole purpose of selling old library books on behalf of the library or in other words the books are never transferred or given to Friends and remain library property at all times such sales are not taxable no matter how many days the sales takes place. As long as Friends of the Library do not acquire books in a retail transaction for purposes of resale there is no incident of tax
- If the Friends of the Library conducts a monthly book sale in the public library and sells the libraries used books then there is not a requirement to collect sales tax. The Friends of the Library does not have a store.
- When selling new items, acting as a reseller, then sales tax is collected. For example, this applies to t-shirts, USB drives, key chains, etc.
- Sales tax is collected on the rental of meeting rooms.
- When a Friend's of the library group collects sales tax it must be registered with the Indiana Secretary of State as a nonprofit corporation. (Registering for tax-exempt status under Internal Revenue Code Section 501(c) (3) is part of the registration process.) A Friends group will need to apply to the Indiana Department of Revenue (IDOR) using Form BT-1 for a sales tax ID number. A Friends group will report to IDOR annually, quarterly or monthly depending on how much sales tax the group estimates on the BT-1 that it will collect. Generally, a 12-month/year business operation will report and pay sales tax monthly.